

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Hamilton	County Gratiot
Fiscal Year End March 31, 2008	Opinion Date June 23, 2008	Date Audit Report Submitted to State June 25, 2008	

We affirm that:

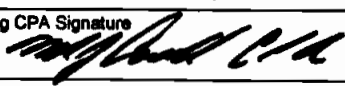
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 23, 2008

To the Township Board
Township of Hamilton
Gratiot County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hamilton, Gratiot County, Michigan, as of March 31, 2008, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hamilton's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hamilton, Gratiot County, Michigan, as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

This section of the Hamilton Township annual financial report presents our discussion and analysis of the financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008 totaled \$191,370.95 for governmental activities. Of this total, \$41,880.00 represents capital assets net of depreciation and related debt. Overall, net assets increased by \$24,181.78 from the prior year.

Overall revenues were \$83,470.68. Overall expenses were \$58,328.90.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are Township-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These would include the General Fund, the Road and Bridge Fund, and the Fire Fund.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan
CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	149 491
Capital Assets	<u>41 880</u>
Total Assets	<u>191 371</u>
Current Liabilities	-
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets:	
Invested in Capital Assets	41 880
Unrestricted	<u>149 491</u>
Total Net Assets	<u><u>191 371</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:	
Fees and Charges for Services	4 432
General Revenues:	
Property Taxes	33 615
Other Taxes	6 821
State Revenue Sharing	37 409
Interest	975
Miscellaneous	<u>219</u>
Total Revenues	<u>83 471</u>
Program Expenses:	
Legislative	1 523
General Government	35 171
Public Safety	11 062
Public Works	<u>11 533</u>
Total Expenses	<u>59 289</u>
Increase in Net Assets	24 182
Net Assets, April 1	<u>167 189</u>
Net Assets, March 31	<u><u>191 371</u></u>

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include: General, Road and Bridge, and Fire Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's governmental net assets increased \$24,181.78 during the year ended March 31, 2008 totaling \$191,370.95.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include legislative, administrative, elections, public safety, public works, and building and grounds. The major source of revenue for the general fund is from property taxes and revenue sharing from the State of Michigan.

Road and Bridge Fund: This fund is used to record revenues and expenses for roads and bridges located within the Township. The major source of revenue comes from property taxes. The major expense for this fund is repairs to roads.

Fire Fund: This is used to record expense for fire protection. The major source of revenue comes from property taxes.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Additions to the Township's governmental fund capital assets for this year totaled \$0.

The Township has no long-term debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact Dan O'Boyle, Treasurer, at 2901 S. Ransom, Ashley, MI 48806.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	145 618 24
Taxes receivable	<u>3 872 71</u>
Total Current Assets	<u>149 490 95</u>
NON-CURRENT ASSETS:	
Capital Assets	80 300 00
Less: Accumulated Depreciation	<u>(38 420 00)</u>
Total Non-current Assets	<u>41 880 00</u>
TOTAL ASSETS	<u>191 370 95</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	41 880 00
Unrestricted	<u>149 490 95</u>
Total Net Assets	<u>191 370 95</u>
TOTAL LIABILITIES AND NET ASSETS	<u>191 370 95</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	1 523 27	-	(1 523 27)
General government	35 171 23	4 431 97	(30 739 26)
Public safety	11 061 81	-	(11 061 81)
Public works	11 532 59	-	(11 532 59)
Total Governmental Activities	<u>59 288 90</u>	<u>4 431 97</u>	<u>(54 856 93)</u>
General Revenues:			
Property taxes			33 614 57
Other taxes			6 820 70
State revenue sharing			37 409 00
Interest			975 36
Miscellaneous			219 08
Total General Revenues			<u>79 038 71</u>
Change in net assets			24 181 78
Net assets, beginning of year			<u>167 189 17</u>
Net Assets, End of Year			<u>191 370 95</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	71 869 23	29 735 70	2 956 33	104 561 26
Taxes receivable	1 382 59	1 715 00	775 12	3 872 71
Due from other funds	<u>20 339 19</u>	<u>14 268 38</u>	<u>6 449 41</u>	<u>41 056 98</u>
Total Assets	<u><u>93 591 01</u></u>	<u><u>45 719 08</u></u>	<u><u>10 180 86</u></u>	<u><u>149 490 95</u></u>
<u>Liabilities and Fund Equity</u>				
Liabilities	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved				
Undesignated	<u>93 591 01</u>	<u>45 719 08</u>	<u>10 180 86</u>	<u>149 490 95</u>
Total fund equity	<u><u>93 591 01</u></u>	<u><u>45 719 08</u></u>	<u><u>10 180 86</u></u>	<u><u>149 490 95</u></u>
Total Liabilities and Fund Equity	<u><u>93 591 01</u></u>	<u><u>45 719 08</u></u>	<u><u>10 180 86</u></u>	<u><u>149 490 95</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	149 490 95
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	80 300 00
Accumulated depreciation	<u>(38 420 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>191 370 95</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES- GOVERNMENTAL FUNDS**
Year ended March 31, 2008

	General	Road and Bridge	Fire	Total
Revenues:				
Property taxes	10 406 66	15 983 38	7 224 53	33 614 57
Other taxes	4 189 83	1 788 46	842 41	6 820 70
State revenue sharing	37 409 00	-	-	37 409 00
Charges for services:				
Cemetery lot sales	730 00	-	-	730 00
Tax collection	3 701 97	-	-	3 701 97
Interest	674 56	276 62	24 18	975 36
Miscellaneous	219 08	-	-	219 08
Total revenues	57 331 10	18 048 46	8 091 12	83 470 68
Expenditures:				
Legislative:				
Township Board	1 523 27	-	-	1 523 27
General government:				
Supervisor	5 000 00	-	-	5 000 00
Elections	823 67	-	-	823 67
Assessor	3 600 00	-	-	3 600 00
Clerk	5 075 00	-	-	5 075 00
Board of Review	92 34	-	-	92 34
Treasurer	5 150 00	-	-	5 150 00
Building and grounds	3 126 74	-	-	3 126 74
Cemetery	4 088 30	-	-	4 088 30
Unallocated	7 255 18	-	-	7 255 18
Public safety:				
Fire protection	-	-	8 413 88	8 413 88
Ambulance	2 647 93	-	-	2 647 93
Public works:				
Highways and streets	2 324 32	8 000 00	-	10 324 32
Drains at large	1 208 27	-	-	1 208 27
Total expenditures	41 915 02	8 000 00	8 413 88	58 328 90
Excess (deficiency) of revenues over expenditures	15 416 08	10 048 46	(322 76)	25 141 78
Fund balances, April 1	78 174 93	35 670 62	10 503 62	124 349 17
Fund Balances, March 31	93 591 01	45 719 08	10 180 86	149 490 95

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 25 141 78

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (960 00)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 24 181 78

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hamilton, Gratiot County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township's funds that are controlled by or depended on the Township's executive or legislative branches.

The reporting entity is the Township of Hamilton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1- Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments- Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was 3.1548 and the taxable value was \$10,720,915.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25 years
Furniture and equipment	5 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>170 324 63</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

Bank	<u>Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>83 671 62</u>
Total Deposits	<u>183 671 62</u>

The Township of Hamilton did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	39 000 00	-	-	39 000 00
Buildings	32 250 00	-	-	32 250 00
Equipment	9 050 00	-	-	9 050 00
 Total	 80 300 00	 -	 -	 80 300 00
Accumulated Depreciation	(37 460 00)	(960 00)	-	(38 420 00)
Net Capital Assets	42 840 00	(960 00)	-	41 880 00

Note 5 – Pension Plan

The Township has a defined contribution pension plan which had a \$210.00 cost paid during the fiscal year.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Hamilton does not issue building permits. Building permits are issued by the County of Gratiot.

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	20 339 19		
Road and Bridge	14 268 38		
Fire	<u>6 449 41</u>	Current Tax Collection	<u>41 056 98</u>
Total	<u><u>41 056 98</u></u>	Total	<u><u>41 056 98</u></u>

Note 10 – Budget Variances

Actual expenditures exceeded budgeted amounts in several activities as follows:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Assessor	-	3 600 00	3 600 00
Clerk	5 000 00	5 075 00	75 00
Treasurer	5 000 00	5 150 00	150 00
Drains at large	-	1 208 27	1 208 27
Fire Fund:			
Fire protection	8 373 88	8 413 88	40 00

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	11 000 00	11 000 00	10 406 66	(593 34)
Other taxes	-	-	4 189 83	4 189 83
State revenue sharing	36 200 00	36 200 00	37 409 00	1 209 00
Charges for services:				
Cemetery lot sales	1 000 00	1 000 00	730 00	(270 00)
Tax collection	-	-	3 701 97	3 701 97
Interest	100 00	100 00	674 56	574 56
Miscellaneous	1 475 00	1 475 00	219 08	(1 255 92)
Total revenues	<u>49 775 00</u>	<u>49 775 00</u>	<u>57 331 10</u>	<u>7 556 10</u>
Expenditures:				
Legislative:				
Township Board	3 400 00	3 400 00	1 523 27	(1 876 73)
General government:				
Supervisor	11 000 00	11 000 00	5 000 00	(6 000 00)
Elections	1 300 00	1 300 00	823 67	(476 33)
Assessor	-	-	3 600 00	3 600 00
Clerk	5 000 00	5 000 00	5 075 00	75 00
Board of Review	770 00	770 00	92 34	(677 66)
Treasurer	5 000 00	5 000 00	5 150 00	150 00
Building and grounds	5 225 00	5 225 00	3 126 74	(2 098 26)
Cemetery	4 500 00	4 500 00	4 088 30	(411 70)
Unallocated	70 147 59	70 147 59	7 255 18	(62 892 41)
Public safety:				
Ambulance protection	2 650 00	2 650 00	2 647 93	(2 07)
Public works:				
Highways and streets	2 350 00	2 350 00	2 324 32	(25 68)
Drains at large	-	-	1 208 27	1 208 27
Total expenditures	<u>111 342 59</u>	<u>111 342 59</u>	<u>41 915 02</u>	<u>(69 427 57)</u>
Excess (deficiency) of revenues over expenditures	(61 567 59)	(61 567 59)	15 416 08	76 983 67
Fund balance, April 1	<u>61 567 59</u>	<u>61 567 59</u>	<u>78 174 93</u>	<u>16 607 34</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>93 591 01</u>	<u>93 591 01</u>

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

BUDGETARY COMPARISON SCHEDULE- ROAD AND BRIDGE FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	-	-	15 983 38	15 983 38
Other taxes	-	-	1 788 46	1 788 46
Interest	-	-	276 62	276 62
Total revenues	-	-	18 048 46	18 048 46
Expenditures:				
Public works:				
Highways and streets	8 000 00	8 000 00	8 000 00	-
Total expenditures	8 000 00	8 000 00	8 000 00	-
Excess (deficiency) of revenues over expenditures	(8 000 00)	(8 000 00)	10 048 46	18 048 46
Fund balance, April 1	34 097 83	34 097 83	35 670 62	1 572 79
Fund Balance, March 31	26 097 83	26 097 83	45 719 08	19 621 25

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

BUDGETARY COMPARISON SCHEDULE- FIRE FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	-	-	7 224 53	7 224 53
Other taxes	-	-	842 41	842 41
Interest	-	-	24 18	24 18
Total revenues	-	-	8 091 12	8 091 12
Expenditures:				
Public safety:				
Fire protection	8 373 88	8 373 88	8 413 88	40 00
Total expenditures	8 373 88	8 373 88	8 413 88	40 00
Excess (deficiency) of revenues over expenditures	(8 373 88)	(8 373 88)	(322 76)	8 051 12
Fund balance, April 1	9 762 80	9 762 80	10 503 62	740 82
Fund Balance, March 31	1 388 92	1 388 92	10 180 86	8 791 94

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2008

Township Board:	
Wages	1 200 00
Dues	323 27
	<u>1 523 27</u>
Supervisor:	
Salary	<u>5 000 00</u>
Elections:	
Wages	425 51
Miscellaneous	398 16
	<u>823 67</u>
Assessor:	
Contracted service	<u>3 600 00</u>
Clerk:	
Salary	5 000 00
Deputy	75 00
	<u>5 075 00</u>
Board of Review:	
Wages	<u>92 34</u>
Treasurer:	
Salary	5 000 00
Deputy	150 00
	<u>5 150 00</u>
Building and grounds:	
Utilities	186 65
Wages	825 00
Supplies	1 902 39
Repairs and maintenance	212 70
	<u>3 126 74</u>
Cemetery:	
Contracted services	3 970 00
Repairs and maintenance	118 30
	<u>4 088 30</u>
Unallocated:	
Insurance	2 831 00
Pension	210 00
Software	1 705 00
Printing and publishing	1 971 28
Miscellaneous	537 90
	<u>7 255 18</u>
Ambulance:	
Contracted services	<u>2 647 93</u>
Highways and streets:	
Road maintenance	<u>2 324 32</u>
Drains at large	<u>1 208 27</u>
Total Expenditures	<u>41 915 02</u>

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>38 965 45</u>	<u>253 795 62</u>	<u>226 997 70</u>	<u>65 763 37</u>
<u>Liabilities</u>				
Due to other funds	37 542 43	34 001 46	30 486 91	41 056 98
Due to other taxing units	<u>1 423 02</u>	<u>219 794 16</u>	<u>196 510 79</u>	<u>24 706 39</u>
Total Liabilities	<u>38 965 45</u>	<u>253 795 62</u>	<u>226 997 70</u>	<u>65 763 37</u>

TOWNSHIP OF HAMILTON
Gratiot County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2008

Cash on hand and in bank – beginning of year	<u>38 965 45</u>
Cash receipts:	
Current property tax	250 742 01
Property tax administration fees	2 495 98
Interest	<u>557 63</u>
Total cash receipts	<u>253 795 62</u>
Total beginning balance and cash receipts	<u>292 761 07</u>
Cash disbursements:	
Township General Fund	11 201 37
Township Road and Bridge Fund	13 110 23
Township Fire Fund	6 175 31
Gratiot County	132 412 64
Ithaca Schools	12 725 25
Ashley Schools	9 775 56
Gratiot-Isabella Intermediate School District	40 890 89
Refunds	<u>706 45</u>
Total cash disbursements	<u>226 997 70</u>
Cash on Hand and in Bank – End of Year	<u>65 763 37</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 23, 2008

To the Township Board
Township of Hamilton
Gratiot County, Michigan

We have audited the financial statements of the Township of Hamilton, for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hamilton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

To the Township Board
Township of Hamilton
Gratiot County, Michigan

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

ACCOUNTING RECORDS

The Township Clerk has not maintained a receipt journal, a disbursement journal and a general ledger. These accounting records are required to be maintained by the Township Clerk.

We recommend that these records be created and maintained by the Township Clerk beginning with the month of April, 2008.

CHECK SIGNING

All Township bank accounts require only the signature of the Township Treasurer.

We recommend that all Township bank accounts require the signature of both the Township Clerk and the Township Treasurer.

To the Township Board
Township of Hamilton
Gratiot County, Michigan

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY (cont.)

BUDGET VARIANCES

Actual expenditures exceeded budgeted amounts in several activities.

We recommend that the budgets be amended as necessary to comply with State law.

CURRENT TAX COLLECTION FUND DISBURSEMENTS

Amounts deposited into the Current Tax Collection Fund are not being disbursed timely as required.

We recommend that all Current Tax Collection funds be disbursed according to State law.

TIMELY DEPOSITS

Deposits of incoming revenues are not made timely.

We recommend that all Township revenue be deposited at least weekly.

BANK RECONCILIATIONS

We noted no indication that bank statements had been reconciled.

We recommend that every bank statement be reconciled monthly and that the reconciliation be attached to the bank statement.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants